Overseas ADR SMA

Market Overview

Fluctuating readings on the potential trajectory of central bank policy and acute signs of strain in the banking sector made for a volatile first quarter 2023, but investment assets in general continued to rebound from a very challenging 2022.

Market Summary	1st Quarter 2023
MSCI EAFE Index	+8.47%
S&P 500 Index	+7.50%
German DAX Index	+12.25%
French CAC 40 Index	+13.39%
Nikkei 225 Index	+8.53%
Brent Crude Oil	-7.15% $79.77 a barrel
Gold	+7.96% $1,969.28 an ounce
US Dollar	+0.87% vs. yen -1.77% vs. euro

Source: Bloomberg, WM/Reuters.

Shifting market dynamics during the quarter also prompted a change in style leadership. After outperforming by more than 2,100 basis points in 2022, the Russell 1000 Value Index lagged the Russell 1000 Growth Index by 1,340 basis points in the first quarter, as interest in these stocks appeared to reignite with the leveling off of interest rates and an uptick in liquidity. A rebound in beleaguered technology stocks helped fuel the style reversal, as the NYSE FANG+ Index returned nearly 40% over the first three months of the year. A similar trend could be seen in equity markets outside the US, which lagged domestic markets on the whole.[1]

Bank Failures Rooted in Covid-Era Stimulus

Oscillating market sentiment thus far in 2023 seems to suggest participants are struggling to develop a consensus view on the direction of interest rates and economic growth as the Federal Reserve and other major central banks continue to wring liquidity from the system. January's risk rally, fueled by hopes that the rate-hike cycle was nearing its end, faded in February as a hawkish string of data releases depicted resilience in the economy, labor market and prices. While markets seemed to coalesce around the "higher for longer" narrative by early March, subsequent tumult in the banking sector raised new uncertainties about the Fed's path forward and renewed old concerns about systemic fragility.

After a long period of relative calm in the US banking system, mid-March saw the midsized Silicon Valley Bank (SVB) and Signature Bank fail within days of one another. SVB was brought down primarily by its investment portfolio of long-duration fixed income securities, a portion of which it was forced to sell at large losses in the face of falling deposit levels. SVB's troubles produced runs at other banks deemed vulnerable in the uncertain environment, causing widespread weakness in bank equity prices and ultimately bringing down crypto-focused Signature Bank and prompting a cohort of the country's largest banks to assemble a rescue package for First Republic Bank.[2] Not long after, Swiss authorities engineered a swift deal for UBS to acquire Credit Suisse—one of 30 systemically important banks globally—as it teetered on the edge of insolvency.[3]

While the issues in the banking sector have yet to demonstrate the kind of interconnectivity that spawned the global financial crisis in the late 2000s, we think it would be premature to signal all-clear. The US bank failures were idiosyncratic in nature but appeared to grow from a common systemic root: the massive stimulus rolled out in response to the disruptions from Covid-19. M2 money supply in the US, for example, grew by about 40% from March 2020 to its peak in April 2022. The resulting excess demand in the economy and very tight labor markets presaged a step function in inflation levels, necessitating Fed action—albeit with a pause enabled by the average inflation-targeting policy framework adopted by the central bank in 2020. The flexibility of this new framework allowed the Fed to let inflation run hot for a period of time—it's hard to imagine 12 months of unaddressed "transitory" inflation in the old regime—but as a result also required very aggressive tightening once underway.

In addition to promoting inflationary pressures, the expansion in the US money supply also produced a commensurate expansion of deposits in the banking sector. While some of these assets were held on reserve at the central bank, interest rates near zero incentivized banks to put this money to work in more potentially profitable ways. Many sought to scratch out marginal yield from their investment portfolios by increasing exposure to long-dated paper including sovereigns, which generally are assigned favorable risk weights when calculating capital requirements. Despite the limited credit risk posed

1. Source: FactSet; data as of March 31, 2023.
2. Source: Reuters; data as of March 16, 2023.
3. Source: Reuters; data as of March 20, 2023.

by these bonds, their long durations left holders quite vulnerable to the sharply rising rates that transpired in 2022.

Sovereign Credibility May Be Next Hot Spot

It's been our observation that crises historically have found fertile ground in areas of the economy where excesses of debt have built up; take, for example, the US corporate sector and the impropriety-driven collapses of Enron, WorldCom and Tyco in the early 2000s, or the household and mortgage debt in the mid-2000s that culminated in the global financial crisis.

Today, the locus of indebtedness is sovereigns, and it's possible that the recent banking crisis in the US—seemingly contained at this stage—is merely the opening act of a sovereign credibility crisis. On top of a massive stock of public debt, the waning demand for long-duration sovereign paper and a lack of fiscal discipline among policymakers suggest a possibility that investors may soon demand increased risk premia for bonds issued by national governments. We may have seen a sneak preview of how these dynamics can play out last fall in the UK, when the government issued a highly stimulative—and since-scuttled—budget proposal at odds with the Bank of England's inflation-fighting focus, quickly sending the pound to a record low against the dollar and 10-year gilt yields to levels not seen since 2010.[4]

We've long cautioned that conditions seemed ripe for the emergence of some sort of financial accident. While government intervention soothed jittery markets, the bank failures during the first quarter underscored the pronounced vulnerabilities inherent in today's financial system and the potential for unintended consequences as policymakers attempt to unwind years of highly accommodative monetary policy. It seems likely that the Fed's need to balance price stability with financial stability may further complicate its policy-making process going forward and lead to further market volatility.

All in all, the Global Value team is comfortable maintaining a "healthy paranoia" in this environment, focusing as always on avoiding the permanent impairment of client capital. We continue to seek resilience in our portfolios from the bottom up, searching for cash-flow-generative companies with strong market positions, healthy balance sheets and prudent management teams, and buying these stocks only when available at a "margin of safety."[5] As a result of this investment discipline, portfolios managed by the Global Value team had no direct exposure to Silicon Valley Bank or Signature Bank, and our exposure within the broader financial sector is biased toward large money centers and super-regional banks and financial services companies, alongside niche insurers, insurance brokers, payments networks, and clearing and custody platforms. In addition, many of our portfolios hold gold-related securities as a potential hedge against a range of adverse market developments, including elevated sovereign risk.

4. Source: Barron's; data as of September 26, 2022.
5. First Eagle defines "margin of safety" as the difference between a company's market price and our estimate of its intrinsic value. "Intrinsic value" is based on our judgment of what a prudent and rational business buyer would pay in cash for all of a company in normal markets.

Portfolio Review

The First Eagle Overseas ADR SMA posted a positive absolute return in first quarter 2023. All regions contributed to performance, led by developed Europe; developed Asia excluding Japan lagged. Materials consumer discretionary and consumer staples were the leading contributors among equity sectors; real estate and financials were the only detractors. The Overseas Fund underperformed the MSCI EAFE Index in the period.

Leading contributors in the First Eagle Overseas ADR SMA this quarter included Gold Bullion, Compagnie Financière Richemont SA, Fomento Economico Mexicano SAB de CV Sponsored ADR Class B, Taiwan Semiconductor Manufacturing Co., Ltd. and Danone S.A.

Like the equity markets, gold bullion was volatile but ultimately positive during the quarter as markets sought to get a bead on the potential direction and magnitude of the global tightening cycle. The yellow metal rallied in January on data suggesting the Fed may have turned a corner in its effort to stabilize prices, though a hawkish string of releases in February dashed hopes that a policy pivot was imminent and dragged gold lower. Gold rallied again in March, as investors sought a potential "safe haven" amid tumult in the banking sector. Despite the volatility, gold ably served its function as a potential hedge against adverse conditions.

Reports of solid sales growth for the fourth quarter and first nine months of its fiscal year helped buoy the stock of Richemont, the Swiss luxury goods company that counts Cartier and Van Cleef & Arpels among its maisons. China's reopening has inspired a positive outlook on the company and the rest of the luxury goods industry with exposure there; recent years have seen China account for one-third of Richemont's revenue, though this is in the context of the unusual sales patterns that resulted from the pandemic.

Fomento Economico Mexicano SAB de CV (FEMSA) is a multinational beverage and retail company headquartered in Mexico. The company maintains a collection of quality assets, including a 48% stake in Coca-Cola FEMSA, the largest franchise bottler of Coke in the world, and 100% ownership of OXXO, the largest convenience-store chain in Mexico and Latin America. The market reacted positively to the company's plan to divest its beer business by selling its 15% stake in

Dutch beer giant Heineken, and focus on its core bottling and retail businesses.

As a foundry, Taiwan Semiconductor (TSMC) manufactures chips designed by other companies such as Nvidia, Broadcom, Intel, Advanced Micro Devices, Apple and many more. Shares of TSMC performed well in the quarter as semiconductor demand has begun to recover. The company is also likely to benefit from the growing artificial intelligence market, which requires high-performance computing TSMC chips are known for. We expect secular demand for semiconductors will continue to support the buildout of TSMC's manufacturing capacity.

French food giant Danone reported better-than-expected results for its most recent quarter. It appears the company is beginning to realize the benefits of its multiyear turnaround plan, which includes reshaping its portfolio of businesses through acquisitions and divestments and greater investment in its core brands, which could help support pricing power and margins over the long term.

The leading detractors in the quarter were British American Tobacco p.l.c., Sompo Holdings, Inc., Mitsubishi Estate Co., Ltd., Willis Towers Watson Public Limited Company and Hysan Development Company Limited.

British American Tobacco, the world's second-largest tobacco company, reported disappointing sales volume for its most recent quarter and provided lower-than-expected forward guidance. We attribute this to the normalization of consumer demand as fiscal stimulus from the pandemic is withdrawn. Also hurting volumes has been the rise in popularity of disposable vapes—a product line BAT does not sell. Notably, the company recently unveiled a plan to streamline its business by consolidating it into fewer units in order to improve collaboration and decision-making.

Sompo Holdings is one of the top property and casualty insurance companies in Japan. Sompo declined alongside many other Japanese financials as investors grew concerned that the Bank of Japan would soon end the yield curve control policy that had supported the prices of longer-term government securities. We believe such a change in policy is unlikely to be as negative for Sompo as its performance in the quarter would suggest. Meanwhile, underlying improvements in capital efficiency continue at the company, and we remain upbeat about its prospects.

Mitsubishi Estate is one of the largest real estate developers in Japan. Shares of Mitsubishi Estates declined along with other commercial real estate stocks on concerns of slowing economic growth and higher interest rates. We believe that Mitsubishi Estate's business model is comparatively resilient given its focus on commercial office buildings in Japan.

Shares of Willis Towers Watson—one of the largest global insurance brokerage and consulting companies—underperformed the market as an unusually weak period of cash flow conversion and increasing economic uncertainty negatively impacted investor sentiment toward the stock. However, after a difficult period following the mid-2021 cancellation of plans to merge with fellow insurance broker Aon, Willis Towers Watson's organic growth is approaching peer levels and margins are expanding as the company's cost-cutting initiatives begin to take effect.

Based in Hong Kong, Hysan Development is a property investment, management and development company with commercial rental and luxury residential buildings in Hong Kong. Shares of Hysan underperformed as negative sentiment continued to weigh on the Hong Kong real estate sector. However, retail sales are starting to pick up as post-zero-Covid visitor traffic from mainland China begins to recover. We believe that the company's real estate portfolio is well positioned to benefit from this nascent rebound.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

Disclosures

First Eagle Separate Account Management, LLC ("FESAM") relies on First Eagle Investment Management, LLC ("FEIM") for numerous services and resources, and the investment teams of FESAM and FEIM work together to make investment decisions. Although FEIM's investment team, including the portfolio managers of FESAM, has experience managing strategies involving global equity securities, both FEIM and FESAM have limited experience in managing accounts in an SMA and Global ADR strategy.

This Portfolio is available only through a wrap fee or similar program sponsored by a third-party intermediary ("Sponsor") that has engaged First Eagle Separate Account Management, LLC to manage certain of the Sponsor's client accounts on a discretionary basis or to provide the Sponsor with recommendations in the form of model portfolio.

International Overseas ADR Composite contains a seed account invested in a range of asset classes from markets outside the United States. The Strategy seeks to deliver attractive real returns while avoiding the permanent impairment of capital over time by using a value approach to invest in equity securities issued by non-US corporations primarily through USD tradeable securities, a majority of which are American Depository Receipts (ADRs). For comparison purposes, the composite is measured against the MSCI EAFE (Net) Index. Returns include the effect of foreign currency exchange rates. The exchange rate source of the composite is Bloomberg 4 pm EST. The exchange rate source of the benchmark is Reuters 4 pm GMT. The asset mix of the accounts in the composite may not be comparable to the MSCI EAFE (Net) Index. Indices do not incur management fees or other operating expenses. Investments cannot be made directly into an index.

Prior to 07-Dec-2009, First Eagle Investment Management, LLC was known as Arnhold and S. Bleichroeder Advisers, LLC.

First Eagle Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. First Eagle Investment Management, LLC has been independently verified for the periods 01-Jan-1996 through 31-Dec-2021.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The verification report is available upon request.

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First Eagle Investment Management, LLC is an independent SEC registered investment adviser. THL Credit Advisors was acquired and made a part of First Eagle Alternative Credit since Jan-2020. As of 01-Jan-2020, First Eagle Investment Management was redefined to include the Alternative Credit division. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Total returns of the composite and benchmark are presented net of estimated foreign withholding taxes on dividends, interest, and capital gains. MSCI uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rate. Withholding taxes may vary according to the investor's domicile.

The annual composite dispersion presented is an equal-weighted standard deviation calculated for the accounts in the composite for the entire year. (0114-DISC)

Past performance is not indicative of future results.

The US Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Wrap fees typically include all charges, transaction costs, portfolio management fees, custody fees, and other administrative fees. Wrap fees will vary by sponsor. The investment management fee schedule is 0.40% on assets. Actual investment advisory fees incurred by clients may vary.

The International Overseas ADR Composite has an inception date of 01-Jan-2021.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

The federal funds rate is the interest rate at which depository institutions (banks and credit unions) lend reserve balances to other depository institutions overnight on an uncollateralized basis. Reserve balances are amounts held at the Federal Reserve to maintain depository institutions' reserve requirements. Institutions with surplus balances in their accounts lend those balances to institutions in need of larger balances.

Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

M2 is the U.S. Federal Reserve's estimate of the total money supply including all of the cash people have on hand plus all of the money deposited in checking accounts, savings accounts, and other short-term saving vehicles such as certificates of deposit (CDs).

Sovereign debt is issued by a country's government to borrow money, and is also known as government debt, public debt, and national debt.

Government bonds in the UK, India, and several other Commonwealth countries are known as gilts. Gilts are the equivalent of U.S. Treasury securities in their respective countries. The term gilt is often used informally to describe any bond that has a very low risk of default and a correspondingly low rate of return.

Risk Disclosures

All investments involve the risk of loss of principal.

There are risks associated with investing in securities of foreign countries, such as erratic market conditions, economic and political instability and fluctuations in currency exchange rates. These risks may be more pronounced with respect to investments in emerging markets.

Strategies whose investments are concentrated in a specific industry or sector may be subject to a higher degree of risk than funds whose investments are diversified and may not be suitable for all

One cannot invest directly in an index. Indices do not incur management fees or other operating expenses.

The **MSCI EAFE Index** is an unmanaged total return index, reported in US dollars, based on share prices and reinvested net dividends of companies from 21 countries and is not available for purchase. **Russell 1000® Value Index** measures the performance of large-cap value segment of the US equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. **NYSE FANG+ Index** is designed to represent a segment of technology and consumer discretionary sectors consisting of highly-traded growth stocks of technology and tech-enabled companies such as Facebook, Apple, Amazon, Netflix and Alphabet's Google. **S&P 500 Index** is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market. **Nikkei 225** is an unmanaged price-weighted equity index, which consists of 225 stocks in the first section of the Tokyo Stock Exchange. **German DAX® Index** is unmanaged and tracks the segment of the largest and most important companies—known as blue chips—on the German equities market. It contains the shares of the 30 largest and most liquid companies admitted to the FWB® Frankfurt Stock Exchange in the Prime Standard segment. The DAX represents about 80% of the aggregated prime standard's market cap. The **French CAC 40** is an unmanaged market index designed to reflect the evolution of the Euronext Paris market. It is made up of the 40 highest ranking shares listed on the Paris market, according to criteria based on free float market capitalization and trading volume. The index is reviewed and adjusted every quarter in order to take into account changes concerning the size and the volume of the constituent companies.

Trailing Returns

Period: 01-Jan-2021 to 31-Mar-2023	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
Overseas ADR (Gross Return)	7.23	7.23	1.57	--	--	--	3.47
Overseas ADR (Net Return)	6.95	6.95	0.70	--	--	--	2.39
MSCI EAFE Index - Net**	8.47	8.47	-1.38	12.99	3.52	5.00	1.43

* Overseas SMA composite inception date is 01-Jan-2021.
**Inception date shown for the MSCI EAFE Index matches the Overseas SMA composite inception date.

Portfolio returns are shown in US dollars (USD).

Past performance is not indicative of future results.

Year End	Total Firm Assets (USD Millions)	Composite Assets (USD Millions)	Number of Accounts	Composite Gross	Composite Net	MSCI EAFE (Net)	3Y ex-post Std. Dev. Composite	3Y ex-post Std. Dev. MSCI EAFE	Composite Dispersion
2022	102,798	99	387	-5.76%	-6.51%	-14.45%			0.36%
2021	110,254	62	150	6.85%	5.48%	11.26%			N.A.

	Composite Gross	Composite Net	MSCI EAFE (Net)
1 Year Ending 31-Dec-2022	-5.76%	-6.51%	-14.45%
3 Year Ending 31-Dec-2022	N.A.	N.A.	N.A.
5 Year Ending 31-Dec-2022	N.A.	N.A.	N.A.
10 Year Ending 31-Dec-2022	N.A.	N.A.	N.A.
Since Inception 01-Jan-2021	0.35%	-0.70%	-2.44%

N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. Composite dispersion calculated using gross returns.

S-CM-OSM-QTCOMM-D-US